

1 **TESTIMONY OF A. R. WATTS**
2 **FOR**
3
4 **THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**
5
6 **DOCKET NO. 1999-002-E**
7
8 **IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY**
9
10 **Annual Review of Base Rates for Fuel Costs**
11

12
13 **Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
14 **OCCUPATION?**

15 **A. A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am employed**
16 **by The Public Service Commission of South Carolina, Utilities Department, as an**
17 **Engineer Associate.**

18 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
19 **EXPERIENCE.**

20 **A. I received a Bachelor of Science Degree in Electrical Engineering from the**
21 **University of South Carolina in Columbia in 1976. I was employed at that time by**
22 **this Commission as a Utilities Engineer in the Electric Department and was**
23 **promoted to Chief of the Electric Department in August 1981. I have been in my**
24 **current position since July 1995. I have attended professional seminars relating to**
25 **Electric Utility Rate Design, and have testified before this Commission in**
26 **conjunction with fuel clause and general rate proceedings.**

27 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
28 **PROCEEDING?**

29 **A. The purpose of my testimony is to summarize Staff's findings and conclusions as set**
30 **forth in the Utilities Department's portion of the Staff Report.**

31 **Q. WHAT SPECIFIC AREAS WERE ENCOMPASSED BY**
32 **STAFF'S EXAMINATION?**

1 A. The Utilities Department's examination of the Company's fuel operations consisted
2 of a review of the Company's monthly operating reports, review of the currently
3 approved adjustment for fuel costs tariff, and review of the Company's short-term
4 projections of kilowatt-hour sales and fuel requirements.

5 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**
6 **THE PERIOD?**

7 A. Yes, we reviewed the Company's operation of its generating facilities, including
8 special attention to the nuclear plant operations, to determine if the Company made
9 every reasonable effort to minimize fuel costs.

10 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT**
11 **DETERMINATION THAT THE COMPANY HAS ACTED**
12 **UNREASONABLY IN OPERATING ITS FACILITIES AND THEREBY**
13 **CAUSING ITS CUSTOMERS TO BE SUBJECT TO PAYING HIGHER**
14 **FUEL COSTS?**

15 A. No, the Company's generating facilities, particularly the nuclear unit,
16 operated very well during the period under review. The nuclear unit had only a few
17 reductions in power and no actual outages, and averaged approximately 99%
18 capacity factor for the period. The major fossil units averaged over
19 95% availability for the majority of the period under review as indicated on Utilities
20 Department Exhibit No. 1.

21 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**
22 **DEPARTMENT'S EXHIBITS?**

23 A. Exhibit No. 2 shows the Company's Unit Outages for the months of March 1998
24 through February 1999, listing the plants by unit, duration of the outage, reason for
25 the outage, and corrective action taken. Exhibit No.3 lists the Company's
26 percentage Generation Mix by fossil, nuclear, and hydro for the period March 1998
27 through February 1999. Exhibit No. 4 reflects the Company's major plants by
28 name, type of fuel used, average fuel cost in cents per KWH to operate, and total
29 megawatt-hours generated for the twelve months ending February 1999. Exhibit
30 No. 5 shows a comparison of the Company's original retail megawatt-hour estimated

1 sales to the actual sales for the period under review. Exhibit No. 6 is a comparison of
2 the original fuel factor projections to the factors actually experienced for the twelve
3 months ending February 1999. Exhibit No. 7 is a graphical representation of the
4 data in Exhibit No. 6. Exhibit No. 8 is the Company's currently approved Retail
5 Adjustment for Fuel Costs tariff. Exhibit No. 9 is a history of the cumulative
6 recovery account. Exhibit No. 10 is a table of estimates for the cumulative recovery
7 account balance for various base levels of fuel factors for the period ending April
8 2000.

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes, it does.

Accounting Exhibit D
(Revised)

South Carolina Electric & Gas Company
Received Coal-Cost Per Ton Comparison
March 1998-February 1999

<u>South Carolina Electric & Gas Company</u>				
<u>Month</u>	<u>Invoice Cost</u>	<u>Freight Cost</u>	<u>Total Cost Per</u>	<u>Cost Per MBTU</u>
	<u>Per Ton</u>	<u>Per Ton</u>	<u>Ton</u>	
	\$	\$	\$	\$
Mar-98	25.41	12.82	38.23	1.4988
Apr-98	25.20	13.19	38.39	1.5000
May-98	25.19	12.97	38.16	1.5007
Jun-98	25.18	12.88	38.06	1.4932
Jul-98	25.60	12.83	38.43	1.5095
Aug-98	25.30	12.98	38.28	1.5214
Sep-98	25.06	12.97	38.03	1.5070
Oct-98	24.88	12.88	37.76	1.4885
Nov-98	25.39	13.24	38.63	1.5194
Dec-98	26.35	12.75	39.10	1.5323
Jan-99	25.26	12.53	37.79	1.4981
Feb-99	25.50	12.56	38.06	1.5006

<u>Duke Power Company</u>				
<u>Month</u>	<u>Invoice Cost</u>	<u>Freight Cost</u>	<u>Total Cost Per</u>	<u>Cost Per MBTU</u>
	<u>Per Ton</u>	<u>Per Ton</u>	<u>Ton</u>	
	\$	\$	\$	\$
Mar-98	25.75	9.24	34.99	1.4085
Apr-98	26.25	9.28	35.53	1.4437
May-98	25.23	9.60	34.83	1.4105
Jun-98	24.97	9.91	34.88	1.4073
Jul-98	25.13	9.75	34.88	1.4014
Aug-98	25.17	9.49	34.66	1.3865
Sep-98	25.77	9.52	35.29	1.4085
Oct-98	25.86	9.62	35.48	1.4188
Nov-98	25.76	9.52	35.28	1.4124
Dec-98	25.42	9.51	34.93	1.3995
Jan-99	26.78	9.31	36.09	1.4481
Feb-99	24.85	9.23	34.08	1.3668

<u>Carolina Power & Light Company</u>				
<u>Month</u>	<u>Invoice Cost</u>	<u>Freight Cost</u>	<u>Total Cost Per</u>	<u>Cost Per MBTU</u>
	<u>Per Ton</u>	<u>Per Ton</u>	<u>Ton</u>	
	\$	\$	\$	\$
Mar-98	36.47	11.65	48.12	1.9482
Apr-98	30.84	10.64	41.48	1.6758
May-98	28.99	10.52	39.51	1.6073
Jun-98	33.15	10.57	43.72	1.7826
Jul-98	34.93	11.58	46.51	1.8742
Aug-98	30.62	9.74	40.36	1.6320
Sep-98	29.15	10.89	40.04	1.6076
Oct-98	30.27	10.72	40.99	1.6537
Nov-98	29.24	8.25	37.49	1.5142
Dec-98	33.82	9.15	42.97	1.7507
Jan-99	30.06	10.78	40.84	1.6417
Feb-99	30.88	10.68	41.56	1.6622